



Colorado State University Extension

Risk & Risk Management for Ag Producers

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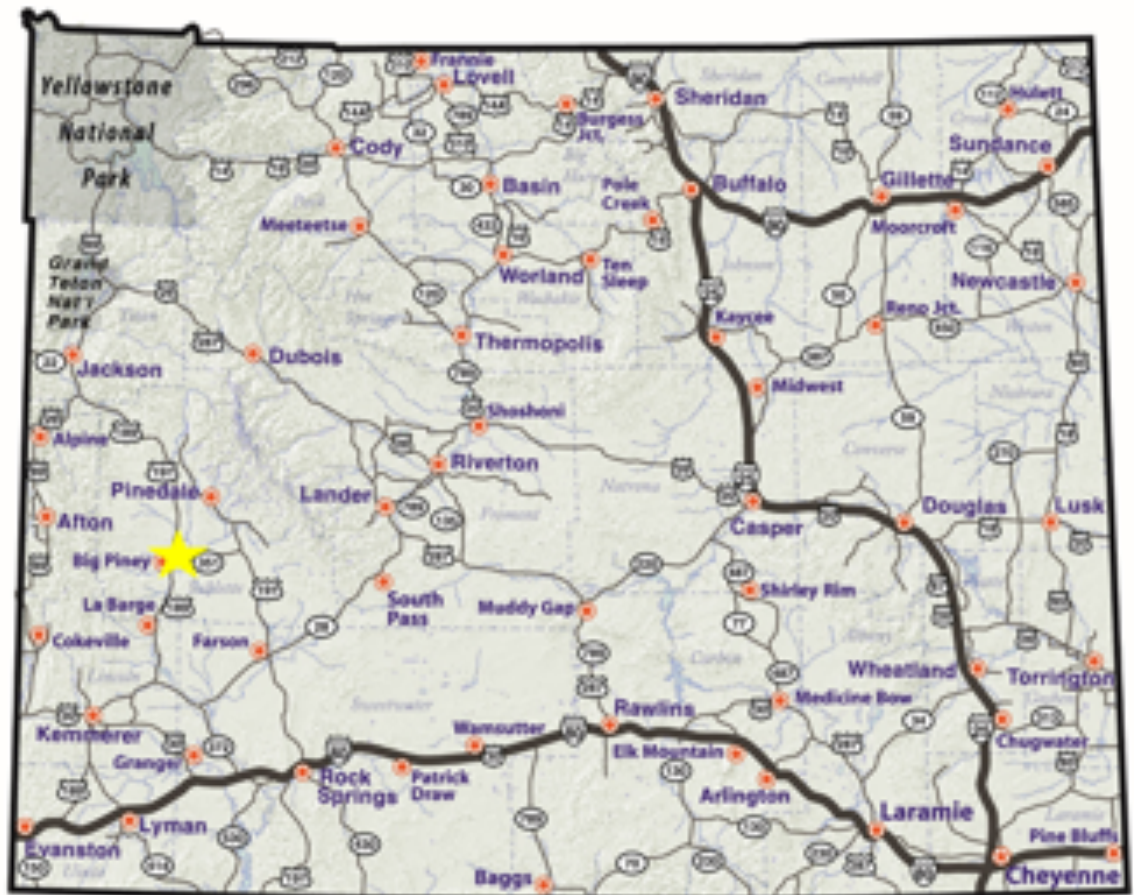
CSU Western Campus

Grand Junction, CO



Who Am I?

Grew up in Big Piney, Wyoming



Who Am I?

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Who Am I?

Grew up in Big Piney, Wyoming

I understand that agriculture isn't just an
occupation, it's a way of life!



Risk Overview

How Would you define
'Risk' in agriculture?



Risk Overview

Risk:

The probability of an event
occurring that can impact your...

Current Profit Level

Financial Situation (equity position)

Satisfaction and Well-Being



Risk Overview

Risk:

The uncertainty of not knowing what
will happen in the future.

The greater the uncertainty, the
greater the risk.

Risk is what makes it possible to
make a profit.



Risk Vs. Uncertainty

How do you determine the difference?

Risk

- A known probability of possible outcomes
- Implies you know beforehand what might happen with what likelihood
- You can manage for risk



Uncertainty

- An unknown probability of possible outcomes
- Unpredictable
- You cannot manage for uncertainty



Risk

- A known probability of possible outcomes
- Implies you know beforehand what might happen with what likelihood
- You can manage for risk



Uncertainty

- An unknown probability of possible outcomes
- Unpredictable
- You cannot manage for uncertainty



Relationship of Risk + Profit



Risk Management Involves Finding the preferred...



COMBINATION OF ACTIVITIES, with



UNCERTAIN OUTCOMES, and



VARYING LEVELS OF EXPECTED
RETURNS.

Risk Management

Step 1

Identify and classify the risks
you face

Sources of Risk

Production

Any risk that impacts yields/ quality variability

Marketing

Any risk that impacts output or input prices

Financial

Any risk that threatens financial health and stability

Legal

Any risk that arises from disputes or disagreements

Human

Any risk associated with the people involved in the business

Production Risk



Controls

- Diversification
- Insurance (crop + revenue)
- Buildings
- Storage
- Vaccines
- Labor
- Production Contracts (ensure input supply + quality)
- New Technologies

Sources

- Weather
- Pests
- Diseases
- Technology
- Genetics
- Inputs (availability, quality, price)
- Equipment
- Labor

Marketing Risk



Controls

- Futures + Options
- Forward Contracting
- Retained Ownership
- Quality Controls
- Storage (timing)
- Cooperatives
- Niche/Value Added Marketing

Sources

- Product Quality
 - Genetics, Disease, Handling, Input/Feed, etc.
- Product Price
 - Quality, Timing, Global Market, Weather, Government Policy, Consumer Preferences, Demand, etc.

Financial Risk



Controls

- Fixed Interest Rates
- Interest Options
- Repayment Capacity
- Profit Margins

Sources

- Cost and Availability of Debt Capital
- Ability to Maintain and Grow Equity
- Cash Flow
- Financial Shocks

Legal Risk



Sources

- Contractual Agreements
- Business Organization
- Laws and Regulations
- Tort Liability
- Public Policy and Attitudes

Controls

- Business Structure
- Contracts
- Compliance Plans
- Liability Insurance

Human Risk



Controls

- Safety Trainings
- Equipment in Good Condition
- Employee Handbooks
- Legacy/Succession/Estate Plans
- Health Insurance
- Appropriate Compensation (salary + benefits)

Sources

- Injury
- Health
- Business Relationships
- Divorce
- Death
- Voluntary Departure
- Involuntary Departure
- Employee/Work Availability
- Transition Planning

Risk of chemical costs increasing due to a fire at a large chemical plant.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of
grasshoppers
decreasing our
yield.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of root worm
infecting our crop.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of business
owner/manager
dying of a heart
attack.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of food safety
scare
reducing the price
received.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of interest rates increasing on our borrowed funds.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk of a buyer
reneging on a
contract.



Financial Risk



Market Risk



Production Risk



Legal Risk



Human Risk

Risk Management

Step 2

Measure Your Risks

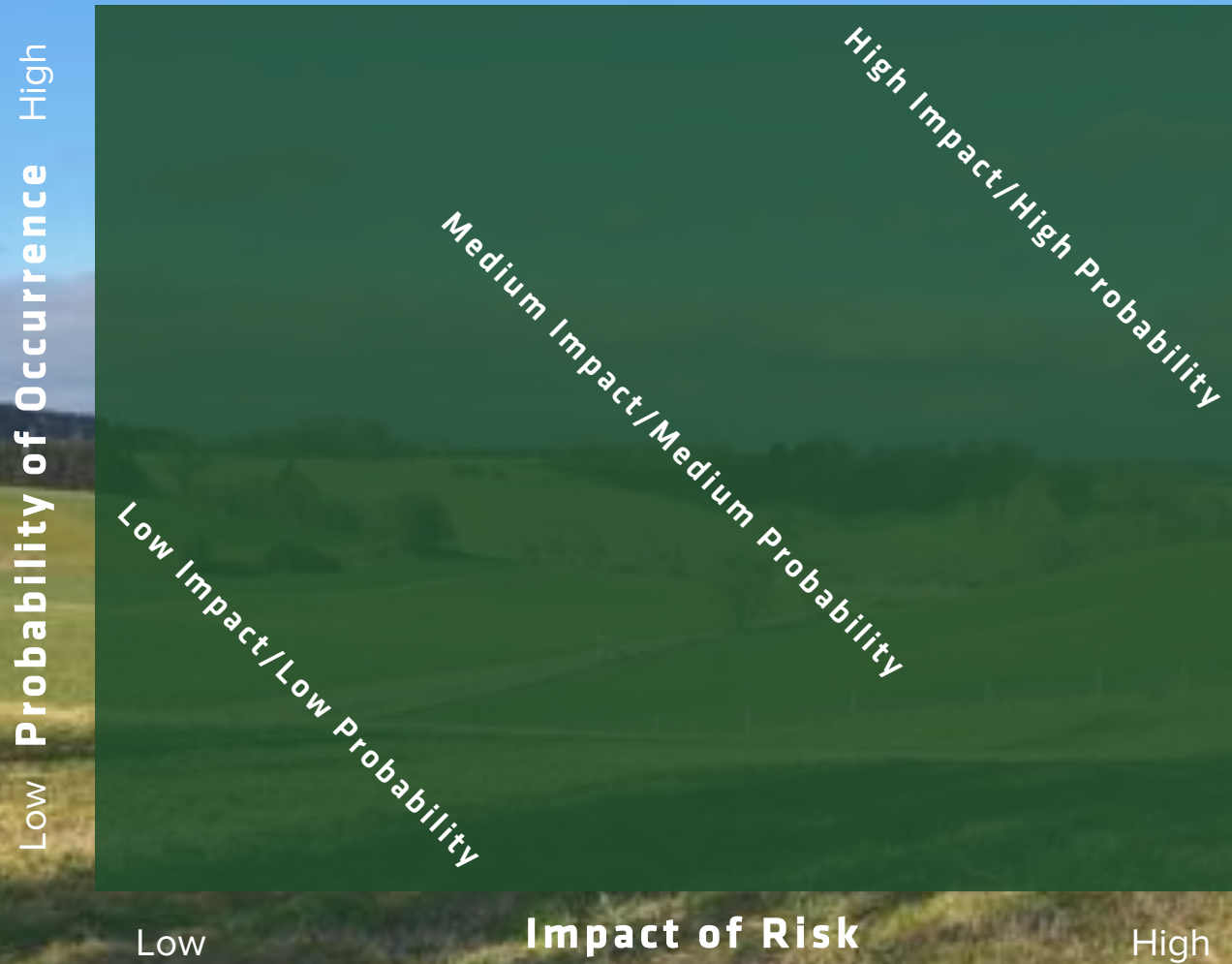


Risk Management

Measure your Risks

- Probabilities of something happening
 - Some are known by observation or measurement
 - Some must be estimated by the decision maker

Risk Impact/Probability Chart



Low Impact/Low Probability

1

Management Strategy

Ignore

3

Management Strategy

Have a contingency plan

2

Management Strategy

Cope with it and move on
(don't spend too much time
on it)

4

Management Strategy

Critical importance, pay
close attention

Low Impact/High Probability

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Management Strategy

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close attention

Risk Management

Step 3

Consider your ability or capacity
to bear risk



Risk Management

Assess your risk bearing ability

- Risk management strategies are affected by an individual's capacity or ability to bear risk
- Risk bearing capacity is directly related to the **solvency** and **liquidity** of one's financial position

Capacity to Bear Risk

Operator One

- Beginning Farmer
- Higher Debt Load
- Limited Equity
- Current Ratio: 1.13
- Debt/Asset Ratio: 0.48



Operator Two

- Established Farmer
- Limited Debt
- Significant Equity
- Current Ratio: 3.6
- Debt/Asset Ratio: 0.08



Risk Management

Step 4

Consider the risk preferences of operators and managers



Risk Preferences

Risk Averse or Risk Avoiders

- Cautious individuals
- Prefer less risky sources of income/investment
- Willing to sacrifice some income to reduce the probability of low incomes or losses



Risk Preferences

Risk Taker or Risk Preferring

- More adventuresome individuals
- Prefer more risky business alternatives
- Willing to accept some probability of lower income or losses for the opportunity of higher income



Risk Preferences

Risk Neutral

- Individuals between risk averse and risk preferring
- They choose the decision with the highest expected return



What would you do?

Heads

You win \$140

Tails

You lose \$100

How much would you pay to play?

How much
would you pay
to play?

1. Nothing
2. \$10
3. \$15
4. \$20
5. \$25
6. \$30
7. More than \$30



What would you do?

Heads

You win \$140

Tails

You lose \$100

How much would you pay to play?

What is the expected outcome?

Expected Outcome

Heads

You win \$140

Tails

You lose \$100

$$140 \times .5 = +\$70$$

$$-100 \times .5 = \underline{-\$50}$$

Expected **\$20**

Expected Outcome

Heads

You win \$140

Tails

You lose \$100

- How much would you pay to play?
 - \$10 (Risk Averse)
 - \$20 (Risk Neutral)
 - \$30 (Risk Preferring)
- Expected Outcome \$20

Expected Outcome

Heads

You win \$14,000

Tails

You lose \$10,000

- Would you be willing to pay \$2,000 to play?

Risk Management

Step 5

Set SMART risk goals

- Specific, Measurable, Achievable, Relevant, Time Bound



Write SMART Risk Goals

Benefits of setting goals

- They reflect the values, interests, resources, and capabilities of everyone involved in the business
- They provide a basis for all business and family decisions
- They provide a means of measuring progress

Risk Management

Step 6

Identify risk management tools
to help manage risks

Risk Tools and Strategies

- Diversification of enterprises
- Vaccination programs
- Forward contracts
- Purchase insurance policies
- Storage/retained ownership
- Futures and options
- Life and health insurance
- Legacy/succession plans
- Down payments



Decision Tool

Managing Hay/Crop Risk

How Much Fertilizer Should
you Apply?

Economic impacts of applying nitrogen to grass hay. Table illustrates additional income per acre with varying hay values, costs of nitrogen, and yields.

Hay Value (\$/ton)	Nitrogen Cost (\$/lb)	Nitrogen Use Efficiency (lbs forage per lb N)					
		15	20	25	30	35	40
		Increased Yield (Tons per Acre)					
		0.45	0.60	0.75	0.90	1.05	1.20
\$175	0.65	\$12.25	\$31.75	\$51.25	\$70.75	\$90.25	\$109.75
	0.75	\$6.25	\$25.75	\$45.25	\$64.75	\$84.25	\$103.75
	0.85	\$0.25	\$19.75	\$39.25	\$58.75	\$78.25	\$97.75
	0.95	-\$5.75	\$13.75	\$33.25	\$52.75	\$72.25	\$91.75
\$200	0.65	\$23.50	\$46.75	\$70.00	\$93.25	\$116.50	\$139.75
	0.75	\$17.50	\$40.75	\$64.00	\$87.25	\$110.50	\$133.75
	0.85	\$11.50	\$34.75	\$58.00	\$81.25	\$104.50	\$127.75
	0.95	\$5.50	\$28.75	\$52.00	\$75.25	\$98.50	\$121.75
\$225	0.65	\$34.75	\$61.75	\$88.75	\$115.75	\$142.75	\$169.75
	0.75	\$28.75	\$55.75	\$82.75	\$109.75	\$136.75	\$163.75
	0.85	\$22.75	\$49.75	\$76.75	\$103.75	\$130.75	\$157.75
	0.95	\$16.75	\$43.75	\$70.75	\$97.75	\$124.75	\$151.75
\$250	0.65	\$46.00	\$76.75	\$107.50	\$138.25	\$169.00	\$199.75
	0.75	\$40.00	\$70.75	\$101.50	\$132.25	\$163.00	\$193.75
	0.85	\$34.00	\$64.75	\$95.50	\$126.25	\$157.00	\$187.75
	0.95	\$28.00	\$58.75	\$89.50	\$120.25	\$151.00	\$181.75
Nitrogen Application Rate (lbs N/acre)		60					
Harvest Costs (\$/ton)		\$45.00					
Fertilizer Application Cost (\$/acre)		\$7.25					

Grass Hay & Grass Pasture Budget Comparison & Decision Tool

September 2015

Jesse Russell, Jeffrey E. Tranel, R. Brent Young, and Norman Dalsted - CSU Agricultural and Business Management Economists

www.coopext.colostate.edu/ABM/

Cuttings	2
Acres	8

Select <u>Irrigated</u> or <u>Dry Land</u>
From the Drop Down List Below
Irrigated

Select a bale type from the Drop Down List below.
Small Square Bale

Start-Up Costs	
<u>Assumptions:</u>	
Ground Work	(\$/Acre)
Chisel	\$ 80.00
Disc	\$ 80.00
Cultivating-Bedding	\$ 60.00
Roller Harrow	\$ 40.00
Landplane	\$ 20.00
Furrowing	\$ 20.00
Drilling	\$ 80.00
Broadcasting	\$ 5.00
Fertilizer Application	\$ 10.00
Start-Up Fertilizer	(lb./acre)
lbs./N/acre (nitrogen)	18.00
lbs./P/acre (phosphorus)	10.00
lbs./K/acre (potassium)	6.00
Total (lb./acre)	34.00
Fertilizer Cost (\$/cwt)	\$ 34.66
Fertilizer Cost (\$/acre)	\$ 11.78
Irrigated Seed	
\$/lb.	\$ 6.00
lbs./acre to Drill	15.00
lbs./acre to Broad Cast	30.00
\$/acre to Drill	\$ 90.00
\$/acre to Broad Cast	\$180.00
Dry Land Seed	
\$/lb.	\$ 20.00
lbs./acre to Drill	7.50
lbs./acre to Broad Cast	15.00
\$/acre to Drill	\$150.00
\$/acre to Broad Cast	\$300.00

Operating Expenses, Prices & Yields	
<u>Assumptions:</u>	
Fertilizer for Established Grass	(lb./acre)
lbs./N/acre (nitrogen)	90.00
lbs./P/acre (phosphorus)	50.00
lbs./K/acre (potassium)	30.00
Total (lb./Acre)	170.00
Fertilizer Cost (\$/cwt)	\$ 34.66
Fertilizer Cost (\$/acre)	\$ 58.92
Harvesting Costs	
Cutting and Raking Costs	(\$/Acre)
Swathing	\$ 21.00
Raking	\$ 8.00
Bale Weight	(lb.)
Small Square Bale	80
Big Square Bale	1,500
Round Bale	1,000
Baling Cost	(\$/bale)
Small Square Bale	\$ 1.25
Big Square Bale	\$ 15.00
Round Bale	\$ 8.00
Hauling	(\$/bale)
Small Square Bale	\$ 0.80
Big Square Bale	\$ 10.00
Round Bale	\$ 10.00
Property and Ownership Costs	(\$/Acre)
Ownership Costs	\$ 30.00
Farm Overhead	\$ 20.00
Real Estate Taxes	\$ 15.00
Hay Price (\$/Ton)	\$ 170.00
Grazing Factors	
Grazing Fees (\$/AUM)	\$ 30.00
Dry Matter Intake	2.25%
Forage Required For One AUM (lb./AUM)	675
Harvest Efficiency	50%
Irrigated	
Annual Yield (tons/acre)	2.30
Hay	
Small Square Bale (bales/acre)	57.50
Big Square Bale (bales/acre)	3.07
Round Bale (bales/acre)	4.60
Pasture	
lbs./Acre (available)	4,600
AUM/Acre	3.41
Total AUMs Available	27.26
Dry Land	
Annual Yield (tons/acre)	1.26
Hay	
Small Square Bale (bales/acre)	31.50
Big Square Bale (bales/acre)	1.68
Round Bale (bales/acre)	2.52
Pasture	
lbs./Acre (available)	2,520
AUM/Acre	1.87
Total AUMs	14.93
Other Operating Costs	
Irrigation Expenses (\$/Acre)	\$ 8.00
Discount Rate	7%



Decision Tool

Managing Livestock Risk

Restocking Your Range with
Beef Cows



Basic Alternatives

Decision Tools

1. Replacement heifers?
2. Buy Cows?
3. Lease Breeding Animals?
4. Lease Pasture to Another Livestock Owner?

BUYING vs RAISING BEEF CATTLE REPLACEMENT HEIFERS

Weaning to Pregnancy Testing

Cost of Purchasing Replacement Heifers (\$/hd)

1,000

Cost of Raising Replacement Heifers		PER GROUP	PER HEAD
Value of Raised Heifers		18,563	743
Number (Hd)	25		
Average Weight (lbs)	550		
Average Price (\$/lb)	1.35		
Interest (weaning to preg testing)		1,299	52
Months	12		
Interest Rate	7.00%		
Subtotal		19,862	794
Annual Feed Costs		2,775	111
Vet & Medicine	26.00	650	26
Annual Breeding Costs		1,100	44
Labor		500	20
Overhead		485	19
Operating Interest		187	2
Subtotal		5,697	222
Reduction of Costs			
Due to Sale of Culled Heifers		(6,662)	(266)
Percent Culled	33%		
Number Culled (Hd)	8		
Average Weight (lbs)	850		
Average Price (\$/lb)	0.95		
Value Per Head Culled (\$)	808		

ANNUAL FEED COSTS

Hay	105.00
Pounds Fed Per Day	5.00
Days	120
Price of Hay (\$/Ton)	350
Cake/Cubes/Grain/Tubs	0.00
Pounds Fed Per Day	0.00
Days	30
Price of Grain (\$/Ton)	224
Salt & Minerals	6.00
Pounds Fed Per Day	0.50
Days	120
Price (\$/Ton)	200
Pasture	0.00
Months	0.00
Lease (\$/Hd/Month)	18.00
Pasture	0.00
Months	0.00
Lease (\$/Hd/Month)	0.00
Other (\$/Hd)	0.00
Total	111.00
Known Total	0.00

ANNUAL BREEDING COSTS

Bull Purchase Price (\$/Hd)	2,500
Years of Use	3
Salvage Value (\$/hd)	1,000
Interest	175
Depreciation	500
Feed Costs (\$/hd/yr)	365
Vet (\$/hd/yr)	60
AI (\$/Female)	0
Other (\$/hd/yr)	0
Annual Total Breeding (\$)	1,100
Females Per Bull	25
Bulls Needed For Heifers	1

LABOR

Time Spent With Heifers (hrs)	25
Wage Rate (\$/hr)	20.00

OVERHEAD

Percent of Operating Costs	10%
If this number is "0", then all costs will be the calculated value. If this number is greater than "0", this number will be used.	

COSTS OF RAISING REPLACEMENT HEIFERS (per hd)	\$750
COSTS OF BUYING REPLACEMENT HEIFERS (per hd)	\$1,000
Advantage of RAISING Replacement Heifers (per head)	\$250



Basic Alternatives

Decision Tools

1. Replacement heifers?
2. Buy Cows?
3. Lease Breeding Animals?
4. Lease Pasture to Another Livestock Owner?

How Much Can You Afford to Pay for a Cow?

Assumptions

Number of Cows (hd)	100	Avg. Weaning Wt. (lbs) - Steers	550
Conception Rate (%)	95	Avg. Weaning Wt. (lbs) - Heifers	500
Weaning Rate (%)	95	Yearling Heifer Wt. (lbs)	750
Heifer Retention Rate (%)	15	Actual Weaning Rate (%)	90.25
Cow Replacement Rate (%)	12	Steers Weaned (hd)	45
Cow Salvage Value (\$/cow)	\$800	Heifers Weaned (hd)	45
Annual Cow Costs (\$/cow)	\$729	Heifers Retained (hd)	15
Return on Investment (%)	4	Cows Replaced(hd)	12
Adjustment to Annual Cow Costs (\$/cow)		\$0	

Outlook of Annual Calf Prices

	Steers	Heifers
Year 1:	\$1.45	\$1.38
Year 2:	\$1.45	\$1.38
Year 3:	\$1.45	\$1.38
Year 4:	\$1.45	\$1.38
Year 5:	\$1.45	\$1.38
Year 6:	\$1.45	\$1.38
Year 7:	\$1.45	\$1.38
Year 8:	\$1.45	\$1.38
	\$1.45	\$1.38

Revenues - Expenses = Net Returns

	Head	Market Price	Average Weight	Value Total	Per Cow
Steers	45	1.45	550	35,987	
Heifers	30	1.38	500	20,786	
Yrlg Hfrs	3	1.30	750	2,925	
Other	45	0.80	1000	36,000	
Average Annual Revenues				\$95,698	\$957
		Cows	\$ / Cow	Total Cost	Per Cow
Avg. Ann. Operating Exp.		100	729	\$72,852	\$729
Average Net Returns:				\$22,847	\$228.47
Net Returns are used to pay operator labor (family living), debt payments, income taxes, etc.					

How Much Can You Afford To Pay?

\$2,123 8-Year Productive Life

\$1,675 5-Year Productive Life

\$1,345 3-Year Productive Life



Basic Alternatives

Decision Tools

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Estimating Fair Share Leasing Arrangements for Cows

by: Jeffrey E. Tranel, John Deering, and Rod Sharp

Agricultural and Business Management Economists, CSU Extension

www.coopext.colostate.edu/ABM/



Extension

BREEDING HERD

Breeding Females

Number (head)	50
Average Value of Females in Herd (per hd)	\$1,200
Salvage Value (per hd)	\$800
Annual Death Loss	1.25%
Average Time Females are in Herd (years)	6

Breeding Bulls

Number (head)	3
Current Value of Bulls in Herd (per hd)	\$3,000
Salvage Value of Bulls (per hd)	\$1,600
Annual Death Loss	1.00%
Average Time Bulls are in Herd (years)	3

Weaning Percentage

Percentage of Calves that are Steers

Number of Replacement Heifers Retained (head)

92.00%
45.00%
10

INTEREST RATES

Interest Rate on Operating Monies	7.25%
Interest Rate on Livestock Investment	5.00%

LIVESTOCK EQUIPMENT/BUILDINGS

Livestock Equipment

Total Value	\$10,000
Time of Ownership (years)	15
Average Investment (per cow)	\$200.00
Annual Depreciation (per cow)	\$13.33

Livestock Buildings

Total Value	\$5,000
Time of Ownership (years)	25
Average Investment (per cow)	\$100.00
Annual Depreciation (per cow)	\$4.00

PASTURE COSTS

	Units Per Year	Rate Per Unit	Total Cost
Owned			\$4,500
Leased/Rented			
Pasture 1 (acres)	0	\$5.00	\$0
Pasture 2 (AUMs)	0	\$5.00	\$0
Pasture 3 (Cows)	50	\$22.00	\$1,100
Other Pasture			\$0
Total Annual Pasture Costs			\$5,600

HAY & PURCHASED FEED

	Tons	Cost Per Ton	Total Cost
Hay 1	25	\$300	\$7,500
Hay 2	50	\$150	\$7,500
Grain	0	\$0	\$0
Supplement	0	\$0	\$0
Salt/Mineral			\$150
Other			\$0
Total Hay & Purchased Feed Costs			\$15,150

OPERATING EXPENSES

	Costs		Percent	Operator		Percent	Owner	
	Total	Per Cow		Total	Per Cow		Total	Per Cow
Pasture	5,600	112.00	100%	5,600	112.00	0.00%	0	0.00
Hay & Purchased Feed	15,150	303.00	100%	15,150	303.00	0.00%	0	0.00
Fence/Building Repairs	1,000	20.00	100%	1,000	20.00	0.00%	0	0.00
Medical & Breeding	500	10.00	100%	500	10.00	0.00%	0	0.00
Livestock Supplies	1,000	20.00	100%	1,000	20.00	0.00%	0	0.00
Marketing	500	10.00	90%	450	9.00	10.00%	50	1.00
Mach/Equip Repairs	4,500	90.00	100%	4,500	90.00	0.00%	0	0.00
Labor	0	0.00	100%	0	0.00	0.00%	0	0.00
Overhead	1,000	20.00	75%	750	15.00	25.00%	250	5.00
Other	1,200	24.00	50%	600	12.00	50.00%	600	12.00
Subtotal	30,450	609.00		29,550	591.00		900	18.00
Interest	1,104	22.08		1,071	21.42		33	0.65
Total Expenses	\$31,554	\$631.08		\$30,621	\$612.42		\$933	\$18.65
Contribution	100%			97%			3%	

CAPITAL INVESTMENT (FIXED COSTS)

	Costs		Percent	Operator		Percent	Owner	
	Total	Per Cow		Total	Per Cow		Total	Per Cow
Depreciation								
Breeding Females	3,333	66.67	0%	0	0.00	100%	3,333	66.67
Breeding Males	1,400	28.00	100%	1,400	28.00	0%	0	0.00
Livestock Equipment	667	13.33	100%	667	13.33	0%	0	0.00
Livestock Buildings	200	4.00	100%	200	4.00	0%	0	0.00
Death Loss on Cows	625	12.50	0%	0	0.00	100%	625	12.50
Interest								
Breeding Females	2,500	50.00	0%	0	0.00	100%	2,500	50.00
Breeding Males	345	6.90	100%	345	6.90	0%	0	0.00
Livestock Equipment	500	10.00	100%	500	10.00	0%	0	0.00
Livestock Buildings	250	5.00	100%	250	5.00	0%	0	0.00
Property Taxes								
Breeding Animals	0	0.00	0%	0	0.00	100%	0	0.00
Real Estate	1,200	24.00	100%	1,200	24.00	0%	0	0.00
Total Fixed Costs	\$11,020	\$220.40		\$4,562	\$91.23		\$6,458	\$129.17
Contribution	100%			41%			59%	

SUMMARY OF CONTRIBUTIONS BY OPERATOR AND OWNER

	Costs		Operator		Owner	
	Total	Per Cow	Total	Per Cow	Total	Per Cow
Operating Expenses	31,554	631	30,621	612	933	19
Fixed Costs	11,020	220	4,562	91	6,458	129
Total Costs	42,574	851	35,183	704	7,391	148
Contribution	100%		83%		17%	

EXPECTED REVENUES

Animal Type	Animals (head)	Weight (lbs/head)	Price (per lb)	Revenues	Operator		Owner	
					Percent	Revenues	Percent	Revenues
Steer Calves	21	625	\$1.56	\$20,183	100%	20,183	0%	0
Heifer Calves	15	595	\$1.36	\$12,381	100%	12,381	0%	0
Yearling Heifers	1	780	\$1.10	\$858	0%	0	100%	858
Cull Cows	8	1,150	\$0.70	\$6,440	0%	0	100%	6,440
Cull Bulls	1	2,600	\$0.80	\$2,080	100%	2,080	0%	0
Total Revenues				\$41,941		\$34,643		\$7,298
Percentage Share				100%	83%		17%	



Basic Alternatives

Decision Tools

1. Replacement heifers?
2. Buy Cows?
3. Lease Breeding Animals?
4. Lease Pasture to Another Livestock Owner?

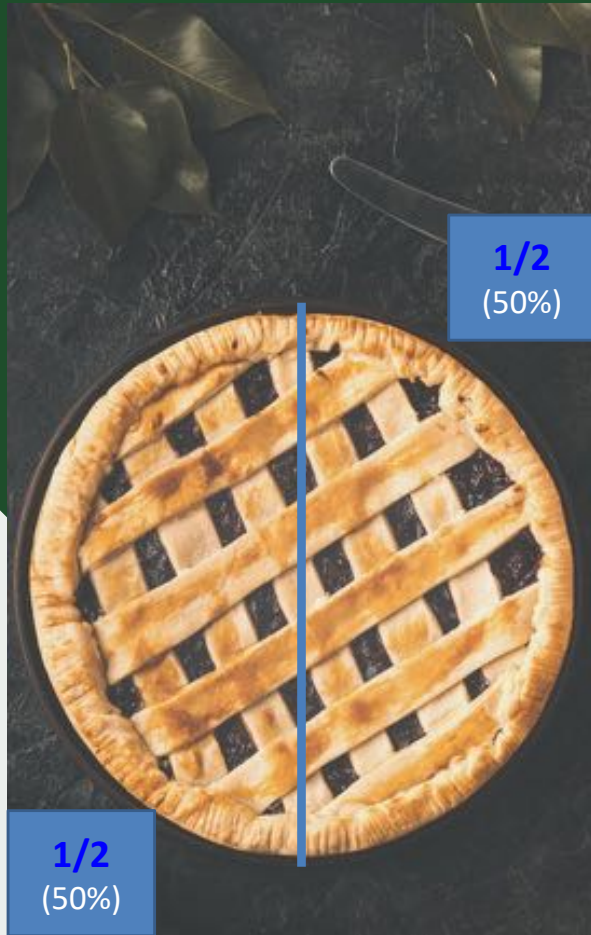
Pasture and Cropland Leases

- **Market Rate**
- **Calculate using costs plus risks**
- **Surveys of rates**
 - **Custom Operator Rates**
 - **Non-Irrigated, Private Pasture Leases**



Leases

Equal? Equitable?



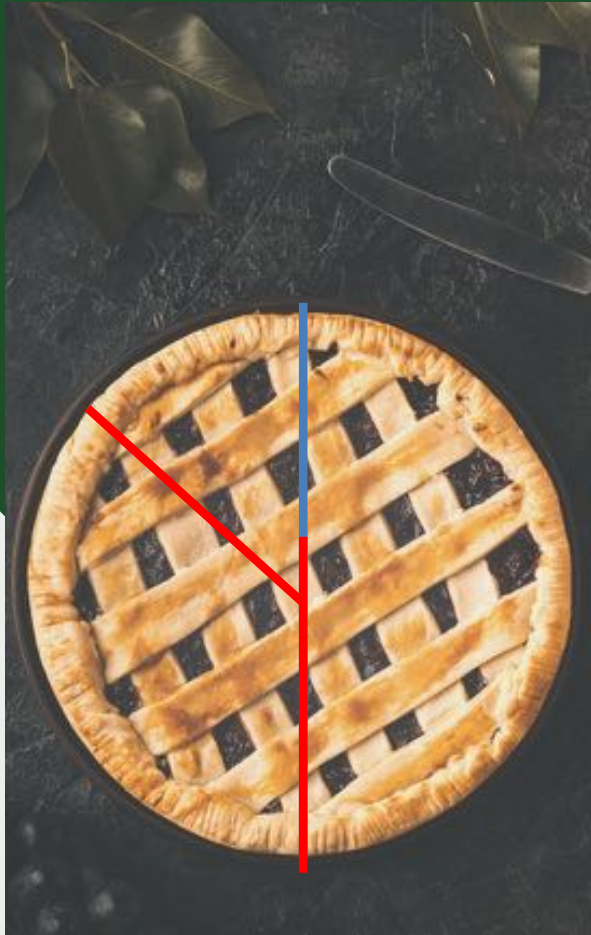
Equal Lease Arrangement Revenues

- Landowner & tenant receive equal portions.

Expenses

- Landowner and tenant pay equal portions.

**EACH PERSON GETS THE SAME SIZE
PIECE OF PIE**



Equitable Lease Arrangement

- Needs?
- Labor?
- History?
- Long Term?
- Risk?
- Other?

EACH PERSON PAYS/GETS THE
APPROPRIATE PORTION OF PIE

Crop Insurance

What would work right for you?

- In 2018, crop insurance protected 6,800 acres and provided \$793,100 in liability protection
- Farmers paid \$15,500 for this insurance coverage
- Crop insurers paid \$96,700 in to cover crop losses in 2018

NAP

Basic, low cost, catastrophic insurance for non-insurable crops

PRF

Practical Risk Fund, Insurance Program - hay and production insurance

WFRP

Whole Farm Revenue Protection - Insurance for all commodities under one policy



NAP

Noninsured Crop Disaster Assistance Program

- Provided financial assistance to producers of non-insurable crops due to natural disasters (Covers losses greater than 50% of expected production)
- There is a \$250 fee per crop up to \$750 per producer, per county, not to exceed \$1,875 for all counties
- Production records must be filed to establish NAP approved yields.



WFRP

Whole Farm Revenue Protection

- Provides a risk management safety net for all commodities on the farm under one insurance policy and is available in all counties nationwide
- Provides protection against the loss of insured revenue due to an unavoidable natural cause of loss
- For any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities or those marketing to local, regional, farm-identity preserved, specialty, or direct markets



Useful Web Sites

USDA RISK MANAGEMENT AGENCY

www.rma.usda.gov

CSU'S AG + BUSINESS MANAGEMENT WEBSITE

www.wr.colostate.edu/ABM/

TAXES

www.ruraltax.org

ONLINE COURSES

www.rightrisk.org

FIND AN AGENT

<http://www3.rma.usda.gov/tools/agents/companies/2014/indexLPI.cfm>



Thank You!

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